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UNCLAS SECTION 01 OF 02 PORT OF SPAIN 000203

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SUBJECT: ATLANTIC LNG LAUNCHES PRODUCTION TRAIN 4

REF: 05 POS 2089

¶1. SUMMARY: Atlantic LNG Train 4 has been officially launched. The train, a production facility with a capacity of 5.2 million tons (MT)/year, is the largest in the world. It will increase by 50 percent overall T&T production of LNG to 15 million MT, all of which presently is destined for U.S. ports. PM Manning talked about plans for future energy production, as well as calling for more gas to be diverted for domestic industrial production. End Summary.

¶2. In a February 3 event attended by Prime Minister Patrick Manning and many of his government ministers, Atlantic LNG executives celebrated the completion of production Train 4 (reftel). In addition to speakers from Atlantic LNG, BG T&T President Craig McKenzie and Bechtel Chairman Riley Bechtel also gave remarks. Ambassador and Econ Chief attended event.

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Prime Minister Manning's plans for future  
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¶3. In his remarks at the ceremony, Manning reminded his audience that, while oil production in T&T is now about 150,000 barrels a day, the oil equivalent production of gas with the addition of Train 4 will soon be 650,000 barrels per day. Manning spoke openly about plans for additional production trains, using "Train X" to refer to the fifth one. Such usage is GOTT code for the possibility that it may take a more direct role in it than the government has had in Atlantic LNG. Manning also reiterated that one of the next two trains would process Venezuelan gas.

¶4. As he has done on other occasions, Manning reminded the audience about the industrial development projects the GOTT is seeking for Trinidad that will provide a domestic use of gas as a feedstock or for power. Among them are two aluminum smelters (one wholly Alcoa-owned, the other a GOTT joint-venture with Sural), plants for production of melamine, urea ammonium nitrate (UAN), propylene, and steel. He also mentioned a new "syngas" refinery and upgrade work on the existing Petrotrin refinery. He gave his assurance that sufficient gas existed to supply all of those plants. He said investment decisions would be coming in 2006 on the plants, valued at US\$7.3 billion overall. To realize these projects, Manning foresaw construction demands of 19,000 jobs, with more than 3,000 permanent jobs at the end. Noting that T&T was close to full employment, Manning welcomed the launch of the CARICOM Single Market only days earlier. T&T would have to rely on labor from neighboring countries, he added, as the pace of development in T&T accelerated.

15. Manning touched on a new condition for future oil and gas production in T&T. While the government had approved earlier projects that largely involved exports of raw materials or feedstock chemicals, Manning indicated that new approvals would be conditioned on company commitments to share an increasing proportion of their production with the National Gas Company for domestic downstream activities.

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Atlantic LNG and Bechtel accomplishments  
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16. Atlantic LNG officials hailed the completion of Train 4, noting that there had been no/no lost time accidents among the 5,000 workers with twenty subcontractors under Bechtel management. Company president Rick Cape said this amounted to more than 14 million work hours over 42 months, adding that the project was completed on time and within budget. [NOTE: These two facts are more remarkable when recalling that the project was stalled by a strike for ten weeks in 2004.] As a consequence, Cape said workers on the project were going to receive bonuses totaling US\$2 million.

17. Also appearing on the program was Bechtel Chairman and CEO Riley Bechtel. He spoke briefly to congratulate all who were involved in the project. Bechtel highlighted the fact that 50 percent of piping and 30 percent of structural steel were fabricated in T&T. He added that 100 percent of craftsmen on the project were Trinidad nationals.

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18. In the corridor preceding the ceremony, Econ Chief asked Bechtel what the company's plans were now that this project was finished. Bechtel responded without hesitation that the company would be the project manager for the Alcoa smelter. He said Bechtel does more projects worldwide for smelters than any other company, including doing all of Alcoa's projects.

19. COMMENT: Regardless of whether Atlantic LNG becomes the site and/or model for "Train X" or any other future production train, the completion of Train 4 puts T&T into the spotlight as having the largest such train in the world. Overall output from Atlantic LNG will rise by 50 percent this year to about 15 million MT per year of LNG, all of which is currently destined (for pricing and other reasons) to ports in the U.S. This guarantees a close bilateral supply relationship for the next two decades, which could be prolonged, depending on discoveries and related GOTT decisions. Meanwhile, a T&T/Venezuelan agreement to process Venezuelan gas here appears less imminent than it did last year due to disagreement between T&T and Venezuela over the latter's Petrocaribe oil scheme. Discussions on sharing found gas along the maritime boundary continue, but a final agreement on processing that gas likely will hinge more on political than economic considerations.

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